

Infrastructure investment (including Canada Infrastructure Bank)

Issue

- Current status of Canada's infrastructure agenda, including the recently launched Canada Infrastructure Bank (CIB).

Canadian Position

- The last two federal budgets have made historic commitments to investment spending: the Government of Canada will provide more than \$180 billion in support of infrastructure over a 12-year period.
- The CIB has been launched in order to attract additional private and institutional investment to infrastructure, to ensure that more infrastructure gets built for Canadians.

Background

- Infrastructure is a critical part of the Government's policy agenda, with total spending of more than \$180 billion over 12 years announced for public transit, green infrastructure, social infrastructure, transportation that supports trade, Canada's rural and northern communities, and smart cities.
- Cities, provinces and territories own and operate the vast majority of public infrastructure in Canada. The federal government provides funding to other levels of government to support their infrastructure needs.
- The CIB is a key component of the Government's long-term plan on infrastructure. This new institution will invest, and seek to attract private investment, in revenue-generating infrastructure projects. The Bank is now operational and ready to receive proposals on projects and investments. (See Annex 1 for more information).
- The concept of an infrastructure bank was supported by the Minister of Finance's Advisory Council on Economic Growth in its October 2016 report.
- The International Monetary Fund (IMF) has publicly stated that the CIB could bring both short-term and long-term payoffs if successfully implemented.
- In its 2017-18 Global Competitiveness Report, the World Economic Forum ranked Canada as #16 globally for the quality of its infrastructure, a slight deterioration (from #15) compared to the previous year.

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TALKING POINTS

- The Government of Canada is confident that the historic investments it is making in infrastructure will move the needle on the country's global competitiveness.
- The federal government will be spending more than \$180 billion over 12 years to support infrastructure priorities: public transit, green infrastructure, social infrastructure, transportation that supports trade, Canada's rural and northern communities, and smart cities.
- We do this in partnership with municipal, provincial and territorial governments that own most public infrastructure, and provide their own significant spending.
- Private sector capital, discipline and innovation can also further the development of infrastructure to meet the needs of Canadians. That's why our Government has created the Canada Infrastructure Bank to work with the private sector where it makes sense. The Bank will provide its own investments of up to \$35 billion in transformative projects.

Annex 1: Canada Infrastructure Bank (CIB)

Status

- The CIB Bank Board of Directors is in place. In December 2017, it appointed Bruno Guilmette as interim Chief Investment Officer. Its headquarters is located in Toronto.
- The CIB is now ready to engage stakeholders and investors on specific projects.

Background

- The CIB is a Crown corporation that will be responsive and accountable to the Government and Parliament, but that will operate at arms-length from the Government.
- It will be led by a Chief Executive Officer (CEO) and governed by a Board of Directors.
- The immediate focus of the CIB will be on public transit; green infrastructure; and trade and transportation corridor projects.
- Its purpose is to invest, and seek to attract private investment, in infrastructure projects that are located in Canada; can generate revenue; and are in the public interest.

Rationale for the creation of the CIB

- **Private investment in revenue-generating infrastructure projects can help governments build new infrastructure that might not have otherwise been built**, improving services for communities, and companies doing business in Canada.
- New investment approaches can also harness **private sector efficiency and innovation** in the planning and design of projects, and improve our ability to consider upfront the lifecycle cost of infrastructure projects.
- Additionally, pricing infrastructure can often bring **additional benefits**, like more efficient use of infrastructure assets and reduced environmental impacts.
- By reducing costs to all levels of government for revenue-generating projects, **more taxpayer resources can be made available for projects that need to rely on public funding**. Projects like social housing, hospitals or community centres.

Functions

- **Structure proposals and negotiate agreements**, with the proponents of infrastructure projects and with investors in infrastructure projects, with regard to the Government of Canada's support of those projects;
- Invest in infrastructure projects, including by means of **innovative financial tools**, and seek to attract investment from private sector investors and institutional investors in infrastructure projects;
- Receive **unsolicited proposals** for infrastructure projects that come from private sector investors or from institutional investors;
- Support infrastructure projects by, among other things, fostering **evidence-based decision making**;
- Act as a **centre of expertise on infrastructure projects** in which private sector investors or institutional investors are making a significant investment;
- Provide **advice to all levels of governments** with regard to infrastructure projects; and
- Collect and disseminate **data**, in collaboration with all governments, in order to monitor and assess the state of infrastructure in Canada and to better inform investment decisions in regards to infrastructure projects.

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Transport
Canada

Transports
Canada



NATIONAL TRADE CORRIDORS FUND

**Preliminary Results of the First Call for Proposals
Draft for Discussion with Canada Infrastructure Bank**

October 2017



Canada



BROAD RESPONSE TO CALL FOR PROPOSALS

The first NTCF call for proposals elicited
358 Expressions of Interest (EOIs)

with total cost of:

\$75 billion (B)

TC assessed the EOIs for completeness and
basic eligibility; in total:

233 projects

were screened-in, seeking more than:

\$13.7B

in NTCF funding

Of these successful applicants,

177 proponents seeking \$9.9B

submitted Comprehensive Project
Proposals by the 6-Nov-17 deadline

Successful EOIs invited to submit proposals, by province/territory



Draft for Discussion - 2



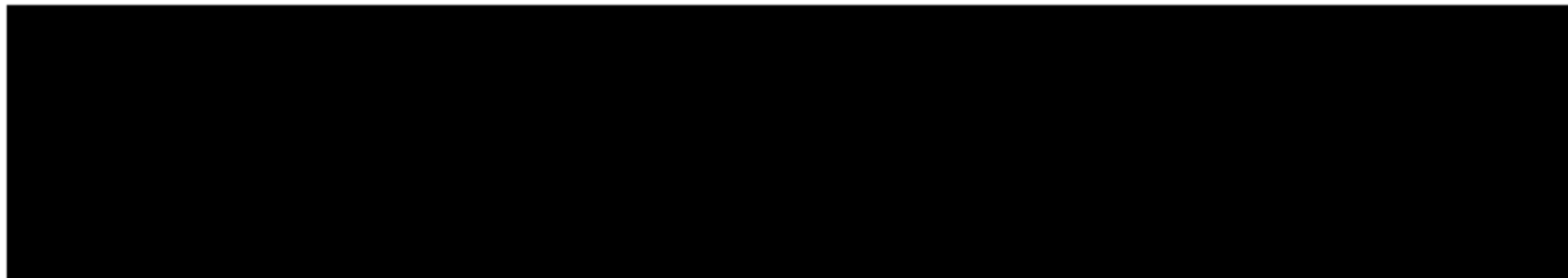
TOWARDS A “PROJECT PIPELINE”

- Scan of the EOI submissions shows that the quantity of projects for a “pipeline” is substantial, involving all modes, regions, and the public and private sectors
- Assessments of the detailed proposals will show the quality of the projects in the pipe
 - NB: these examples are for illustration, and do not imply any prioritization or merit assessment; counts and costs are approximate based on preliminary tracking of EOIs
- **Revenue generation:** EOIs indicated if proponents anticipate collecting tolls / user charges
 - 68 out of 233 screened in EOIs indicated tolls/user charges
 - 9 of those are seeking a federal contribution greater than \$100M
 - Another 7 proponents have multiple screened in projects, may be ‘bundle-able’
 - 30 out of 125 screened out EOIs also indicated tolls/charges
 - 1 of those is seeking a \$100M+ federal contribution
 - 21 screened in EOIs seeking \$100M+ contributions did not indicate tolls/charges
 - 14 of these are roads, highways and bridges, mostly on major trade corridors
 - 6 screened out EOIs seeking \$100M+ contributions did not indicate tolls/charges

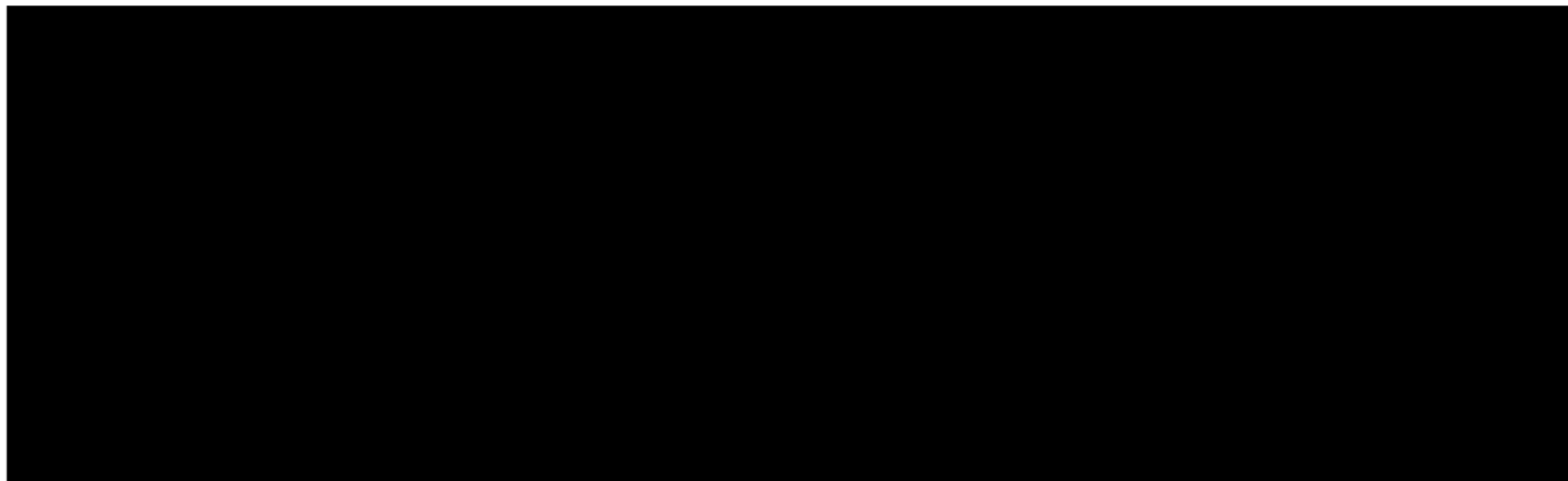


SCREENED IN EOIs INDICATING A REVENUE SOURCE

- Large greenfield projects: new corridors and ports of entry may resolve existing issues and unlock opportunities, but may risk “build it and they will come,” proposal must substantiate the demand



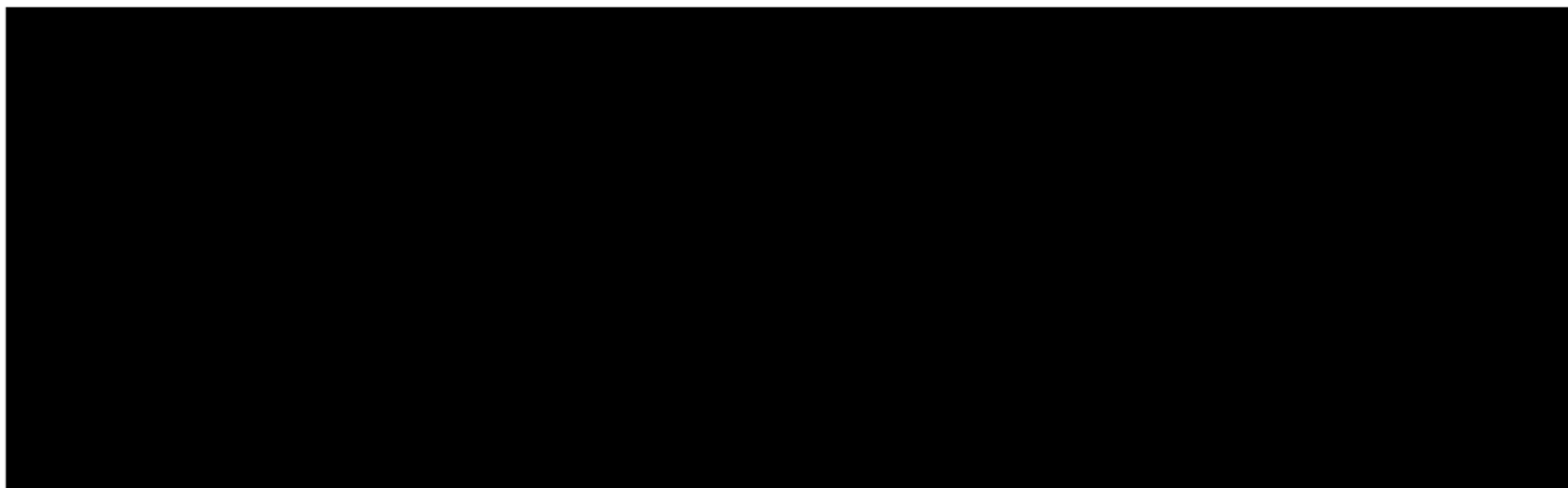
- Related screened-in EOIs indicating revenue sources that may have potential for bundling:



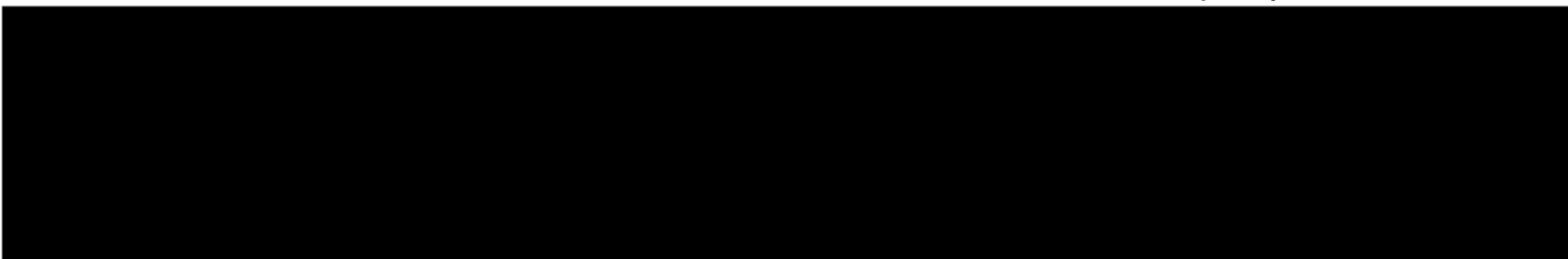


ROAD, HIGHWAY AND BRIDGE PROJECTS

- 14 EOIs seeking \$100M+ federal contributions screened in, none indicated tolls/user charges
- Many large projects on routes already well-known for high traffic and/or trade volumes:



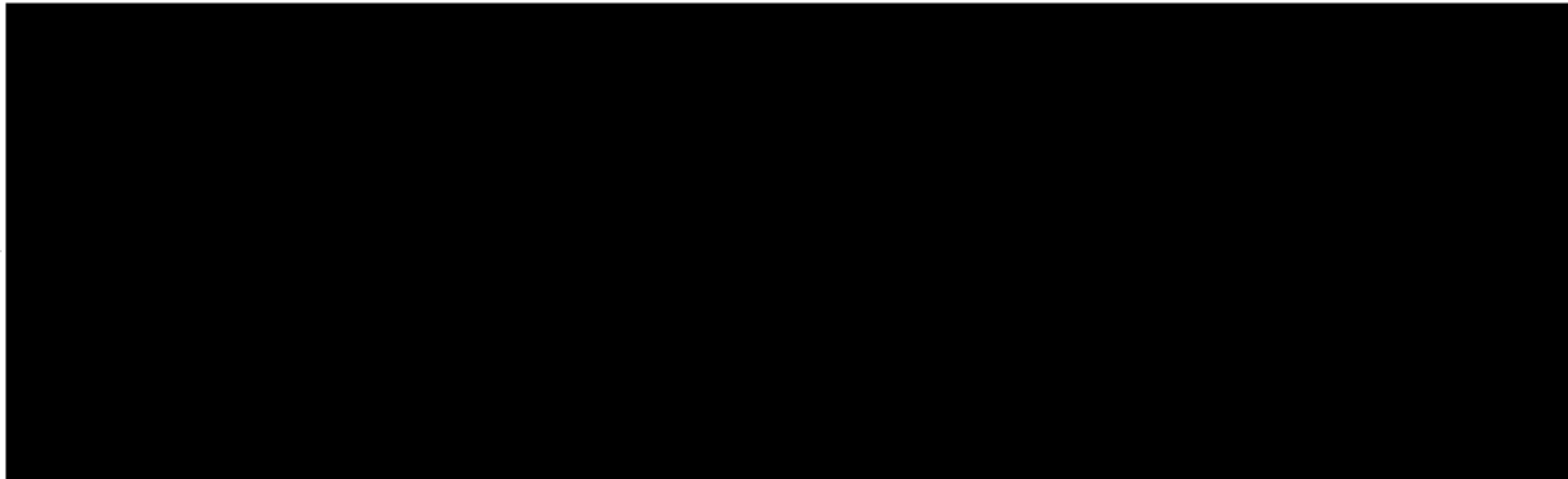
- Most involve replacing and upgrading existing assets; of interest for alternative financing?
- Some routes are greenfield, and some are less well-known from a trade perspective:



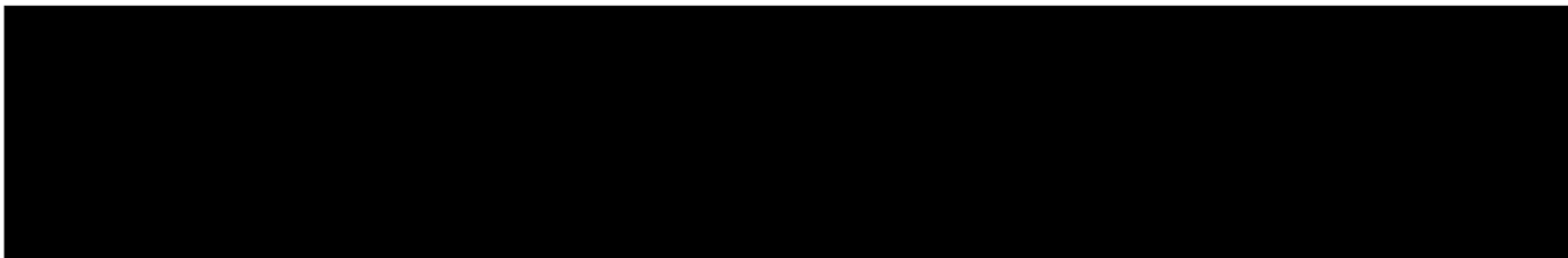


OTHER LARGE SCREENED IN PROPOSALS

- \$400M set aside for projects in the territorial North, eligible for up to 75% cost sharing

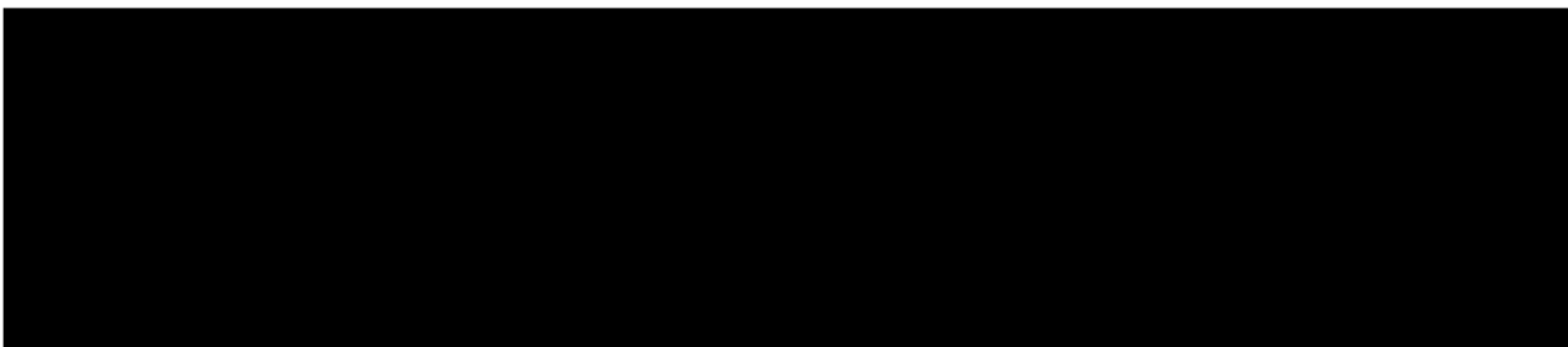


- Most federal transportation assets have been divested, but some agencies and Crowns continue to own important international trade infrastructure; federal assets eligible for up to 100% NTCF funding; EOIs for projects major highways and border crossings include:

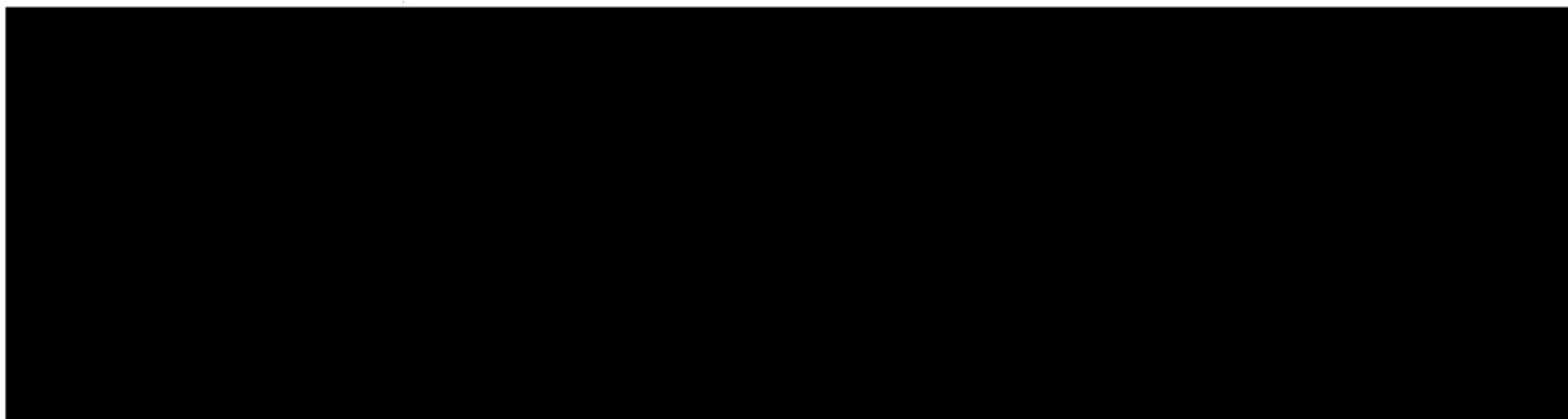




SCREENED OUT PROJECTS

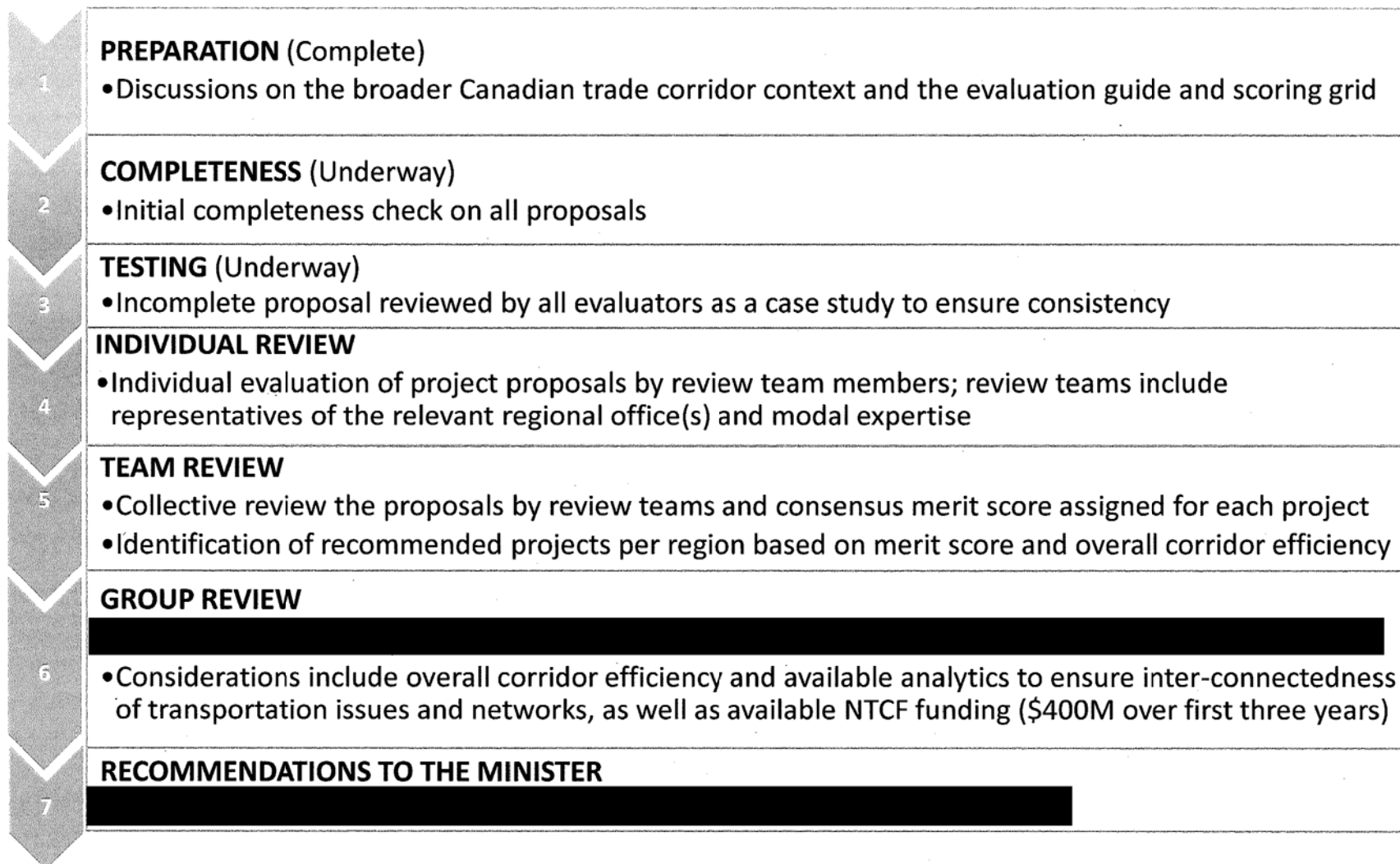


- Most screened out EOIs indicating revenue were very small projects, some are incomplete, and some are from proponents who do not appear to own the infrastructure in question
- Other large screened out EOIs that did not indicate a source of revenue:





ANNEX: NTCF EVALUATION PROCESS



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